

CITY OF CARLSBAD BUDGET HIGHLIGHTS

Public Safety services are funded at \$48.3 million and include all of the police and fire programs such as police patrol, vice/narcotics, juvenile diversion and DARE programs, fire emergency operations, fire prevention and emergency preparedness.

Community and Economic Development, with a budget of \$17.1 million, provide the services that guide and oversee the planning and development of Carlsbad as depicted in the city's General Plan. The General Plan is the base document that expresses the goals and public policy relative to future land use. It acts as a "constitution" for development and is the foundation upon which all land use decisions are based. Also included under Community Development are building and code enforcement, volunteer programs, and providing for housing and neighborhood services.

Community Services, with a budget of \$35.1 million, consists of library and cultural arts, parks and recreation, and seniors programs. Included in this area is the enterprise fund for operations of the municipal golf course, The Crossings at Carlsbad. These programs are provided to a wide range of people and assist in their education, health and well-being, and cultural development.

The functional area requiring the largest amount of funds is **Public Works**, with a budget of \$83.6 million. Public Works is responsible for the provision of utility services as well as the building and maintenance of all of the city's streets and roadways. It is comprised of the water, sewer, and solid waste enterprise funds, as well as the Transportation Department and lighting and landscaping special assessment districts.

The **Non-Departmental and Contingency** funding is \$13.5 million and includes transfers to other funds, programs benefiting the city as a whole, such as community promotions, community contributions, assessment services, transfers to the golf course for debt service payments, and the City Council's contingency account. Included in the non-departmental group is an \$8.3 million transfer to the Infrastructure Replacement Fund. This program sets aside funds for the replacement of the city's base infrastructure. The City Council contingency account, which is available for emergencies and unforeseen program needs that arise during the year, is budgeted at \$1.5 million.

Staffing

The FY 2014-15 Operating Budget reflects a total net increase of 2 full-time positions, and an increase of part-time staff totaling 7.19 hourly full-time equivalent (FTE) positions. These changes result in a city workforce of 669.75 full and three-quarter time employees and 157.77 hourly FTE. The staffing changes in each of the city's programs are discussed more fully in the Operating Budget Overview.

CAPITAL IMPROVEMENT PROGRAM

The City of Carlsbad's Capital Improvement Program (CIP) is a long-range planning document, which outlines the expenditure plan for current and future capital projects and the corresponding revenues to pay for those expenditures. Projects in the CIP consist primarily of new construction or major maintenance and replacement of city facilities such as parks, roads, civic facilities such as libraries, police and fire stations, and sewer, water, and drainage facilities. The Capital Improvement Program for 2014-15 totals \$69.7 million in new appropriations and an estimated \$186.8 million in continuing appropriations, for a total appropriation of \$256.5 million. Some of the notable capital projects which are planned in the next five years are discussed on the following pages.

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Park Development Projects

The city is in the process of updating existing master plans and re-evaluating future park needs, based on the outcomes of a recent needs assessment. As a result of the needs assessment, funds are included to study a multi-use, multi-generational indoor community center.

Leo Carrillo Phase III – In the southeast quadrant of the city, design and construction of Phase 3 of Leo Carrillo Ranch Park is planned. This phase will re-evaluate the Master Plan to make sure that the proposed project amenities are serving the greatest need of the community. The total cost of the project is \$1.9 million.

Civic Facilities



Civic facilities include a variety of facilities from which the city can offer its services to the public.

Fire Station No. 3 Relocation – Fire Station No. 3 is currently located at the corner of Chestnut and Catalina. As the city grows eastward, relocation of this station is needed to help ensure a six minute response time. The land for the new fire station was previously acquired at the Robertson Ranch site, and the remaining construction cost is estimated at \$9.4 million.

Library Renovation Projects – Significant renovation projects are planned at the Dove and the Cole libraries. Improvements are designed to accommodate current staffing needs, meet patron demands for modern library services and allow for better wireless and communication services for the public. The estimated renovation cost for both libraries is \$4.8 million.

Facilities Maintenance – As the city facilities begin to age, maintenance and repair projects are needed to keep them in good condition. Projects for the next five years have been identified at a total cost of about \$7 million. Included are major refurbishment projects at the Cole and Dove libraries which will be constructed in conjunction with the renovation projects mentioned above, as well as refurbishments to Fire Station No. 2, the Fleet Maintenance Facility, and the Safety Center.

Trails – Additional funding is included to complete the Arroyo Vista Trail Extension and the Lake Calavera Trails system.

Street and Circulation Projects



Livable Streets continues to be a top Council priority. To help improve the flow of traffic throughout Carlsbad and to keep the city's street and pedestrian ways in top condition. Another area of focus is a concept called "complete streets" which uses street design to create a sense of place and community through green spaces, medians and signage, while encouraging a healthier, less vehicle dependent lifestyle. The City Council identified complete streets as a top priority. An example of a recent project which incorporates these concepts is construction of a traffic circle "roundabout" along the northern end of Carlsbad Boulevard next to Buena Vista Lagoon, making it easier for vehicles, pedestrians and bicyclists to move through the intersection.



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ADA Improvements – ADA projects throughout the city are scheduled for \$1 million in funding over the next five years. The projects include various accessibility improvements, including sidewalk curb ramps and pedestrian signals.

Avenida Encinas Widening – Widening to full secondary arterial standards along Avenida Encinas from Palomar Airport Road to just south of Embarcadero Lane is scheduled for design in FY 2016-17. The CIP includes \$5.4 million to fund this project in the next five years.

Carlsbad Boulevard Alignment from Cannon Road to Manzano Drive – This project will widen the road from two lanes to four lanes, including a center raised median, curb and gutter, stamped concrete, and landscaping. The total cost is budgeted at \$6 million.

Carlsbad Boulevard Bridges Concrete Barriers – Installation of concrete barriers on the existing bridges located on Carlsbad Boulevard are planned at a total cost of about \$2.2 million, primarily funded through a federal grant. The bridges are located north of Cannon Road over the power plant outlet channel, and over the railroad tracks south of State Street.

El Camino Real Widening – There are a number of projects that are scheduled over the next five years that will focus on the widening of El Camino Real to prime arterial roadway standards, in addition to other improvements, such as median construction. The projects include widening from Cassia Road to Camino Vida Roble, Arenal Road to La Costa Avenue, Lisa Street to Crestview Drive and Tamarack to Chestnut. In the next five years, \$5.4 million in additional funding is included for these projects.

Pavement Management – Carlsbad's local streets are maintained on a regular cycle to ensure a good riding surface and to extend the life of the streets. Part of the maintenance program is the sealing and overlay of the existing street surface. In addition, any problem areas are addressed along with the overlay as they are identified. The FY 2014-15 CIP has \$18.5 million budgeted in the next five years for this program.

Parking Lot Maintenance Program – The maintenance of city-owned parking lots is a relatively new program and is scheduled to receive funding of \$1.2 million in the next five years.

Water and Wastewater Projects

The city's water and wastewater projects are vital to the continued health and welfare of its citizens. Most new lines are built and paid for by developers. As the city ages, it becomes necessary to repair and replace the lines that already exist, and an increase in these projects is anticipated in future years. In the next five years, an additional \$47.9 million in funding is scheduled for both new and replacement water and sewer projects.

Vista/Carlsbad Interceptor & Agua Hedionda Lift Station Replacement – This project consists of a set of individual projects that will ultimately construct a parallel sewer interceptor system to accommodate existing and future sewer flows from the cities of Vista and Carlsbad. The individual projects include a main in Jefferson Street, replacement of the Agua Hedionda Lift Station, and a main from the lift station to the Encina Wastewater Facility. The overall total cost estimate for this set of projects totals \$64.2 million, of which an estimated \$19.9 million is to be funded by the City of Carlsbad, with the remaining \$44.3 million to be funded by the City of Vista.

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Wastewater

Other major wastewater facilities scheduled for construction or replacement within the next five years include:

- Buena Interceptor Sewer Improvements
- Faraday/El Camino Real Sewer Replacement
- Las Palmas Trunk Sewer
- Poinsettia Lane Lift Station Emergency Overflow Basin
- Quarry Creek Sewer Extension
- Terramar Sewer Replacement

Water Lines

Major water facilities scheduled for construction or replacement within the next five years are estimated at \$32.1 million, and include the following locations:

- Aviara Parkway and Plum Tree
- Carlsbad Boulevard – South of Avenida Encinas
- College Boulevard – Cannon Road to Badger Lane
- Desalinated Seawater Transmission Main
- Fire Flow System Improvements
- Hydroelectric Generator at Palomar Airport Road/White Sands
- La Costa High Reservoir Inlet Pipeline
- Maerkle Reservoir Floating Cover Replacement
- Maerkle Pump Station Improvements and Transmission Main
- Santa Fe II Inlet Pipeline
- Tri-agencies Water Transmission Pipeline Replacements

Recycled Water Expansion

Expansion to the Carlsbad Water Recycling Facility, including construction of additional pipelines and a reservoir, are anticipated to cost \$29.6 million in total, with \$21.6 million in scheduled future appropriations. These facilities are expected to meet the 76 percent increase in future recycled water demand.

Drainage Projects

The city's drainage infrastructure plays an important role in handling storm water runoff flows, as well as maintaining the water quality of the city's creeks, lagoons and ocean. Carlsbad supports programs that will ensure that all water bodies within the city are safe and clean and, where possible, open to the public at all times. The system consists of drainage pipes 30-inches or larger in diameter, large concrete and rock lined channels, permanent sedimentation basins and miscellaneous large facilities. As the city continues to age, it will become necessary to repair and replace the lines that already exist. An increase in these projects is anticipated in future years. An additional \$2.3 million will be added to the program in the next five years.

SUMMARY

The FY 2014-15 budget targets resources to attain city goals and prepare the organization for the future. City revenues, especially property tax revenues, are increasing as the country sheds the effects of the Great Recession. The city is poised to benefit from a diverse revenue base

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and the improved fiscal conditions witnessed in the past year are expected to continue to improve.

National, state, and local economies showed improvements in the past year, but the slow recovery could face challenges, especially in California, which faces a severe drought and the ensuing fiscal implications. Unemployment rates are improving, and housing markets are showing significant improvement, resulting in a more positive outlook for the foreseeable future. Although our forecast reflects improving conditions in the coming years, the FY 2014-15 budget maintains fiscal discipline as exercised by the city over the past several years.

The City of Carlsbad continues to exercise fiscal responsibility. The city continues to plan for the long-term and uses a ten-year financial forecast in creating the budget. This long-term planning tool allows us to model the effects of ongoing fiscal impacts from new facilities, economic conditions, and changes in personnel costs. The FY 2014-15 budget presents our continued dedication to the provision of excellent city services and the quality of life valued by those who live, work and play in Carlsbad.

DEBT MANAGEMENT ISSUES

The use of debt has always been a primary issue in the development of the Capital Improvement Program and the policies to implement the Growth Management Program. Over the years, the city has issued millions of dollars of bonds and Certificates of Participation (COPs) to fund streets, buildings, sewer and water facilities, open space acquisitions, and other infrastructure projects. The city is continually evaluating its outstanding debt as well as potential future issues to ensure that interest costs are kept at a minimum and the use of the bond funds is appropriate.

Under state finance law, the city's outstanding general obligation debt may not exceed 15 percent (as adjusted by 25 percent, per the law) of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds. For the last 10 years, the city's general obligation debt has been under 5 percent of the total calculated debt limit.

Since Fiscal Year 2008-09, no debt service payments have been required of the General Fund, and no new debt is anticipated for the General Fund in the coming year. Of the approximately \$97 million of debt currently outstanding, none will be paid back using General Fund monies. Rather, the debts will be repaid from sewer revenues, golf course revenues and from property owners benefiting from the improvements built with bond proceeds. The city has no obligation to advance funds to the assessment districts if the property owners do not pay.

The following table identifies the debt the city has issued, the outstanding principal balance, the 2014-15 scheduled principal and interest payments, and the scheduled year of payoff.

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City of Carlsbad Debt Outstanding						
Bond Name	Repayment Source	Original Bond Issue	Outstanding Principal At 6/30/14	2014-15 Payment P&I	Final Payment FY	
Carlsbad Public Financing Authority Bonds						
Revenue Bonds	Golf Course Enterprise Revenue	\$ 18,540,000	\$ 16,645,000	\$ 1,124,087	2037	
1996 Refunding Encina JPA						
Tax Allocation Bonds	Sewer Enterprise Revenue	\$ 11,080,000	\$ 905,000	\$ 928,191	2015	
1993 Redevelopment						
Tax Allocation Bonds	Redevelopment	\$ 15,495,000	\$ 8,025,000	\$ 1,036,627	2024	
CFD #3 2006 -Improvement Area 1						
Special Tax Bonds	Special District	\$ 11,490,000	\$ 10,100,000	\$ 757,611	2037	
CFD #3 2008-Improvement Area 2						
Special Tax Bonds	Special District	\$ 18,175,000	\$ 13,415,000	\$ 1,053,034	2039	
Subtotals		\$ 74,780,000	\$ 49,090,000	\$ 4,899,550		
1997 Carlsbad Ranch (AD 95-1)						
Limited Obligation Improvement Bonds	Assessment District	\$ 10,175,438	\$ 4,385,000	\$ 616,672	2023	
1998 Rancho Carrillo (AD 96-1)						
Limited Obligation Improvement Bonds	Assessment District	\$ 19,600,000	\$ 11,790,000	\$ 1,130,610	2029	
2013 Reassessment District (AD 2012-1)						
Limited Obligation Improvement Bonds	Assessment District	\$ 31,300,000	\$ 31,300,000	\$ 2,959,307	2036	
Subtotals		\$ 61,075,438	\$ 47,475,000	\$ 4,706,589		
Totals		\$ 135,855,438	\$ 96,565,000	\$ 9,606,139		

BUDGET SUMMARY**FISCAL YEAR 2014-15**

PROGRAM AREA	PROJECTED BALANCE July 1, 2014	ESTIMATED REVENUES	ADOPTED BUDGET	FUND TRANSFERS & CHANGES	PROJECTED BALANCE June 30, 2015
OPERATING BUDGET					
Policy / Leadership Group			\$ 6,152,042		
Administrative Services			23,625,048		
Community Development			17,091,401		
Community Services			35,144,243		
Public Safety			48,335,040		
Public Works			83,581,936		
Non Departmental & Contingencies			13,470,834		
SUBTOTAL OPERATING	\$ 140,967,248	\$ 234,086,268	\$ 227,400,544	\$ -	\$ 147,652,972
CAPITAL IMPROVEMENT PROGRAM					
Fiscal Year 2014-15	\$ 492,217,135	\$ 48,643,216	\$ 69,658,488		\$ 471,201,863
2013-14 Continuing Appropriations					(186,863,775)
Projected CIP Fund Balance at June 30, 2015					284,338,088
TOTAL OPERATING AND CAPITAL	\$ 633,184,383	\$ 282,729,484	\$ 297,059,032	\$ -	\$ 618,854,835

FISCAL YEAR 2013-14

PROGRAM AREA	PROJECTED BALANCE JULY 1, 2013	PROJECTED REVENUES	ESTIMATED EXPENDITURES	FUND TRANSFERS & CHANGES	PROJECTED BALANCE JUNE 30, 2014
OPERATING BUDGET					
Policy / Leadership Group			\$ 5,282,325		
Administrative Services			20,202,104		
Community Development			16,452,209		
Community Services			32,987,713		
Public Safety			47,728,566		
Public Works			84,518,518		
Non Departmental & Contingencies			16,725,349		
SUBTOTAL OPERATING	\$ 139,272,932	\$ 225,591,100	\$ 223,896,784	\$ -	\$ 140,967,248
CAPITAL IMPROVEMENT PROGRAM					
Fiscal Year 2013-14	\$ 451,289,702	\$ 62,698,558	\$ 40,110,125	\$ 18,339,000	\$ 492,217,135
TOTAL OPERATING AND CAPITAL	\$ 590,562,634	\$ 288,289,658	\$ 264,006,909	\$ 18,339,000	\$ 633,184,383

PERSONNEL ALLOCATIONS

	FINAL BUDGET 2012-13	FINAL BUDGET 2013-14	FINAL BUDGET 2014-15	2014-15 CHANGES
CITY ATTORNEY	7.00	7.00	7.00	0.00
CITY CLERK	0.00	0.00	3.00	3.00
CITY COUNCIL	1.00	1.00	1.00	0.00
CITY MANAGER	7.00	7.00	7.00	0.00
CITY TREASURER	0.75	0.75	0.75	0.00
COMMUNICATIONS	2.75	2.75	4.75	2.00
COMMUNITY AND ECONOMIC DEVELOPMENT	47.00	44.00	44.00	0.00
FINANCE AND RISK MANAGEMENT	30.50	31.50	31.50	0.00
FIRE	87.75	88.00	89.00	1.00
HOUSING AND NEIGHBORHOOD SERVICES	10.00	10.00	12.00	2.00
HUMAN RESOURCES & WORKERS COMP	9.00	9.00	11.00	2.00
INFORMATION TECHNOLOGY	22.50	22.50	22.50	0.00
LIBRARY & ARTS	51.25	51.25	50.25	(1.00)
PARKS AND RECREATION	68.40	67.60	61.60	(6.00)
POLICE	161.00	161.00	162.00	1.00
PROPERTY AND ENVIRONMENTAL MANAGEMENT	40.55	40.60	39.90	(0.70)
RECORDS MANAGEMENT	6.00	5.00	2.00	(3.00)
TRANSPORTATION	54.40	53.40	55.90	2.50
UTILITIES	67.65	65.40	64.60	(0.80)
FULL AND 3/4 TIME LABOR FORCE	674.50	667.75	669.75	2.00

SUMMARY OF REQUESTED LABOR FORCE BY CATEGORY

	2012-13	2013-14	FY 2014-15	Difference
Full Time Personnel	669.00	661.00	665.00	4.00
3/4 Time Personnel in Full Time Count	4.50	3.75	3.75	0.00
Limited Term Personnel	1.00	2.00	0.00	(2.00)
Unfunded Full Time Positions	0.00	1.00	1.00	0.00
Hourly Full Time Equivalent Personnel	132.58	150.58	157.77	7.19
TOTAL LABOR FORCE*	807.08	818.33	827.52	9.19

2014-15 BUDGET CALENDAR

DECEMBER	<ul style="list-style-type: none">• Budget policies are set• Capital Improvement Program (CIP) kickoff meeting
JANUARY	<ul style="list-style-type: none">• Departments submit Capital Project requests• Operating revenue is projected for the General Fund• Operating budget manual is distributed to departments• Operating Budget kickoff meeting
FEBRUARY	<ul style="list-style-type: none">• Growth projections completed• CIP analysis/review with departments.• Budgets for Internal Service Funds are prepared
MARCH	<ul style="list-style-type: none">• Leadership Team meetings to review CIP• CIP revenue projections• Departments submit Operating Budget requests• Finance department analyzes and compiles Operating Budget submittals
APRIL	<ul style="list-style-type: none">• Leadership Team – Final CIP Review• Leadership Team meetings to review Operating Budgets
MAY	<ul style="list-style-type: none">• CIP Budget Workshop: May 20 Council meeting• City Manager's Team - Final Operating Budget reviews• Preliminary Operating Budget is sent to the printer• City Council Program Options prepared
JUNE	<ul style="list-style-type: none">• Operating Budget Workshop: June 3 Council meeting• Citizens Budget Workshop: June 5• Council adopts final budget including Operating Budget, Capital Improvement Program, and Annual Spending Limitation: June 17 Council meeting

Operating Budget
Capital Improvement Program (CIP)

California Society of Municipal Finance Officers

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February 11, 2014



Pauline Marx

Pauline Marx
CSMFO President

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California**

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July 1, 2013

Jeffrey R. Emen

Executive Director



2014 – 2015 Operating Budget &
Capital Improvement Program

2014-15 OPERATING BUDGET OVERVIEW

The Operating Budget for FY 2014-15 totals \$227.4 million, with revenues for the year estimated at \$234.1 million. General Fund revenues are estimated at \$129 million and General Fund budgeted operating expenditures are \$124.6 million.

REVENUE

The following table shows the total operating revenues anticipated to be received by the city for FY 2013-14, as well as those estimated for FY 2014-15.

REVENUE SUMMARY BY FUND TYPE (in Millions)				
FUND	PROJECTED 2013-14	BUDGETED 2014-15	\$ CHANGE	% CHANGE
GENERAL FUND	\$ 123.0	\$ 129.0	\$ 5.9	4.8%
SPECIAL REVENUE	12.0	11.6	(0.4)	-3.6%
ENTERPRISE	69.2	71.8	2.6	3.8%
INTERNAL SERVICE	19.7	19.7	-	0.1%
REDEV. OBLIG. RETIREMENT	1.6	2.0	0.4	22.4%
TOTAL	\$ 225.6	\$ 234.1	\$ 8.5	3.8%

Revenue estimates for the Operating Budget indicate that the city will receive a total of \$234.1 million in FY 2014-15, an \$8.5 million, or 3.8 percent, increase over the prior year's projections. The significant changes from the prior year include a \$4.4 million, or 3.6 percent, increase in the General Fund for increases in property tax, sales tax and transient occupancy tax revenues combined. The Special Revenue funds show a decrease of \$400,000, or 3.6 percent from the prior year due to decreases in grant funding. Enterprise revenues are expected to increase \$2.6 million, mainly due to increased water sales revenues needed to pay for the rising cost of water purchased from the San Diego County Water Authority, as well as increased golf course revenues. More information on the city's revenue sources can be found in the discussion that follows.

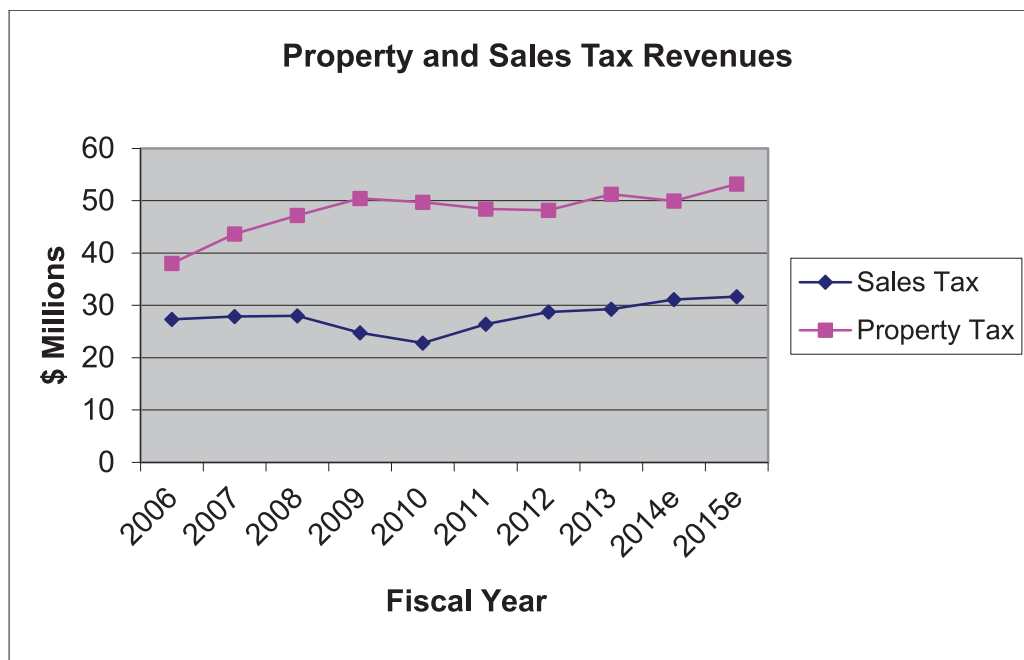
General Fund

General Fund revenues provide a representative picture of the local economy. These revenues are of particular interest as they fund basic city services, such as Police, Fire, Library, Street and Park Maintenance, and Recreation programs. The following table provides a summarized outlook for the major General Fund revenues.

SIGNIFICANT GENERAL FUND REVENUES (In Millions)				
	PROJECTED 2013-14	BUDGETED 2014-15	\$ CHANGE	% CHANGE
PROPERTY TAX	\$ 50.0	\$ 53.3	\$ 3.3	6.6%
SALES TAX	31.1	31.7	0.6	1.8%
TRANSIENT OCCUPANCY TAX	16.0	16.5	0.5	3.0%
FRANCHISE TAXES	4.9	5.0	0.1	2.2%
BUSINESS LICENSE TAX	3.7	3.8	0.1	4.0%
DEVELOPMENT REVENUES	2.1	2.5	0.4	19.6%
ALL OTHER REVENUE	15.4	16.3	0.9	5.9%
TOTAL	\$ 123.0	\$ 129.0	\$ 5.9	4.8%

2014-15 OPERATING BUDGET OVERVIEW

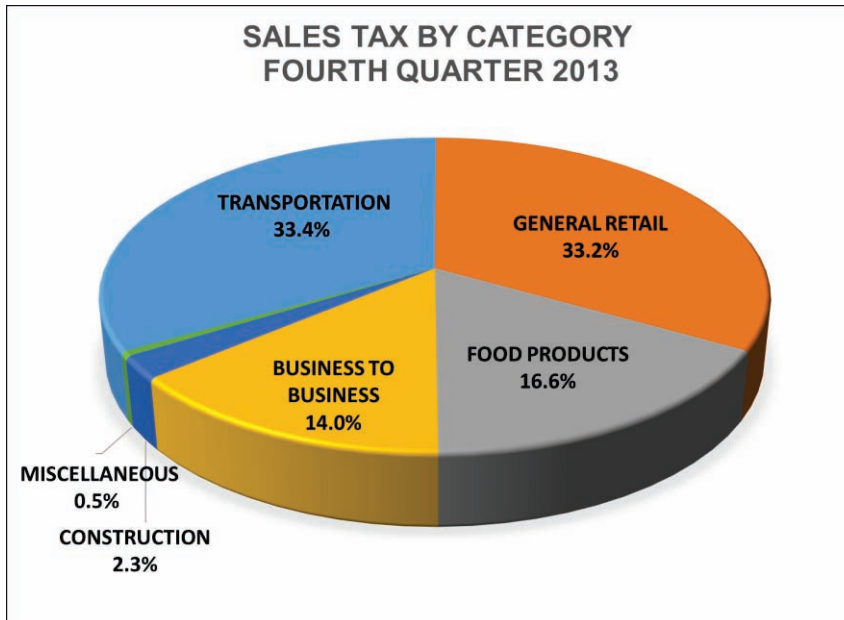
As we emerge from the Great Recession, General Fund revenues indicate healthy growth. Our three largest revenue sources, property tax, sales tax, and transient occupancy tax (TOT), are expected to total \$101.5 million in FY 2014-15, comprising 79 percent of General Fund revenue. Revenues from sales tax and TOT are highly sensitive to changes in the economic activity, unlike property tax revenues, which tend to lag behind economic growth and remain relatively stable over time. The biggest revenue source, property tax, is expected to grow by 6.6 percent to \$53.3 million, as assessed values continue to improve in residential and commercial real estate. The median price for a single family residence in Carlsbad rose to \$720,000, compared to \$655,000 for the same time period, last year. Compared to the first quarter of 2013, prices have increased in all city zip codes except 92011, the southwest quadrant of Carlsbad. Sales inventories, though better than a year ago, are still relatively tight, a factor that may continue to sustain Carlsbad residential real estate prices. Economists also forecast increased interest rates and a tightening in Federal Reserve monetary policy, factors that could slow price appreciation in residential real estate.



Property taxes tend to lag behind the rest of the economy, as the tax revenue for the upcoming fiscal year is based on assessed values from January. Thus, the taxes to be received for FY 2014-15 are based on assessed values as of January 1, 2014.

Proposition 13, adopted in 1978, limits the annual increase in assessed values for property. Under this proposition, assessed values (and the related property tax) can grow by no more than two percent per year. The value upon which the tax is based is only increased to the full market value upon the sale of the property. Thus, property taxes tend to grow slowly unless there is a significant amount of housing activity. In past decades, we have seen robust growth in property taxes due to new development, high turnover of existing homes, and double-digit growth in housing prices.

2014-15 OPERATING BUDGET OVERVIEW

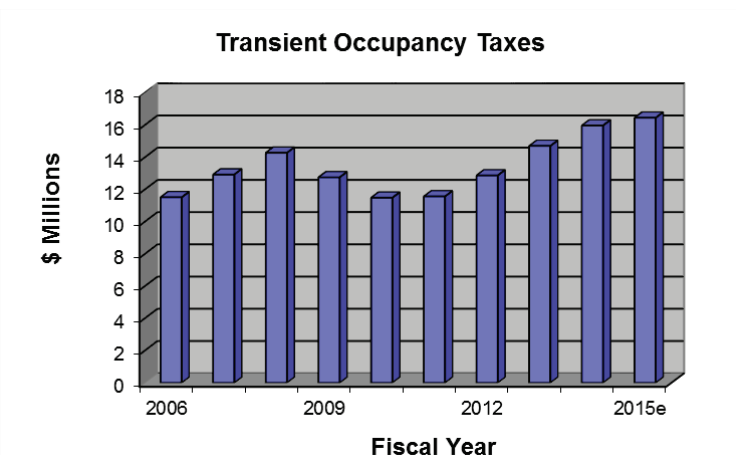


Sales tax revenues generally move in step with economic conditions and have improved markedly over the past two years. Comparing the fourth quarter of calendar year 2013 to the previous year, sales tax cash receipts in the state of California increased by 8.7 percent, although a portion of this (3 percent) is due to late processing by the Board of Equalization. Statewide, MuniServices expects taxable sales to grow by approximately 5 percent in 2014, as state unemployment improves.

The city of Carlsbad realized an increase of 7.1 percent in cash receipts for the fourth quarter of 2013. New auto sales, which comprise approximately one-quarter of city sales tax revenue, have exceeded pre-recession levels and hit an all-time high in the last quarter of 2013. City sales tax revenues are expected to increase by approximately 2 percent in FY 2014-15, adding \$31.7 million to the General Fund. New retail additions in Carlsbad, such as La Costa Town Square, will add to the sales tax base and the city will continue to benefit from recent additions, such as the Legoland Hotel and Lowe's, which opened in fall 2013.

Several years ago, the State of California implemented the "Triple Flip." The "Triple Flip" is essentially a temporary swap of a $\frac{1}{4}$ cent of the cities' sales taxes in return for property tax. It was done in order to give the state a revenue source against which they could issue deficit reduction bonds. The city's sales tax estimates continue to show this amount as sales tax, since the amount is reflective of what the city would receive.

As can be seen in the chart above, the city's sales tax base is heavily weighted in the transportation (predominantly new car sales) and retail sectors. These two sectors account for two-thirds of taxable sales in Carlsbad. New car sales dropped precipitously during the recent recession, falling from \$6.7 million in the fourth quarter of 2007 to a low of \$4.4 million in 2009. In the fourth quarter of 2013, new car sales hit a high of \$7.4 million. Retail sales have also increased substantially as the recession has abated.



Sales tax estimates also include approximately \$1 million in Proposition 172 funds, which are earmarked for public safety service expenditures. Proposition 172 requires that the $\frac{1}{2}$ cent increase in California sales taxes be allocated to local agencies to fund public safety services.

The third highest General Fund revenue source is Transient Occupancy Taxes (TOT, or hotel taxes). TOT is forecast to increase by